

# Aviation Division 2012 Preliminary Operating Budget

## Commission Briefing

October 4, 2011

# Industry Status/Trends

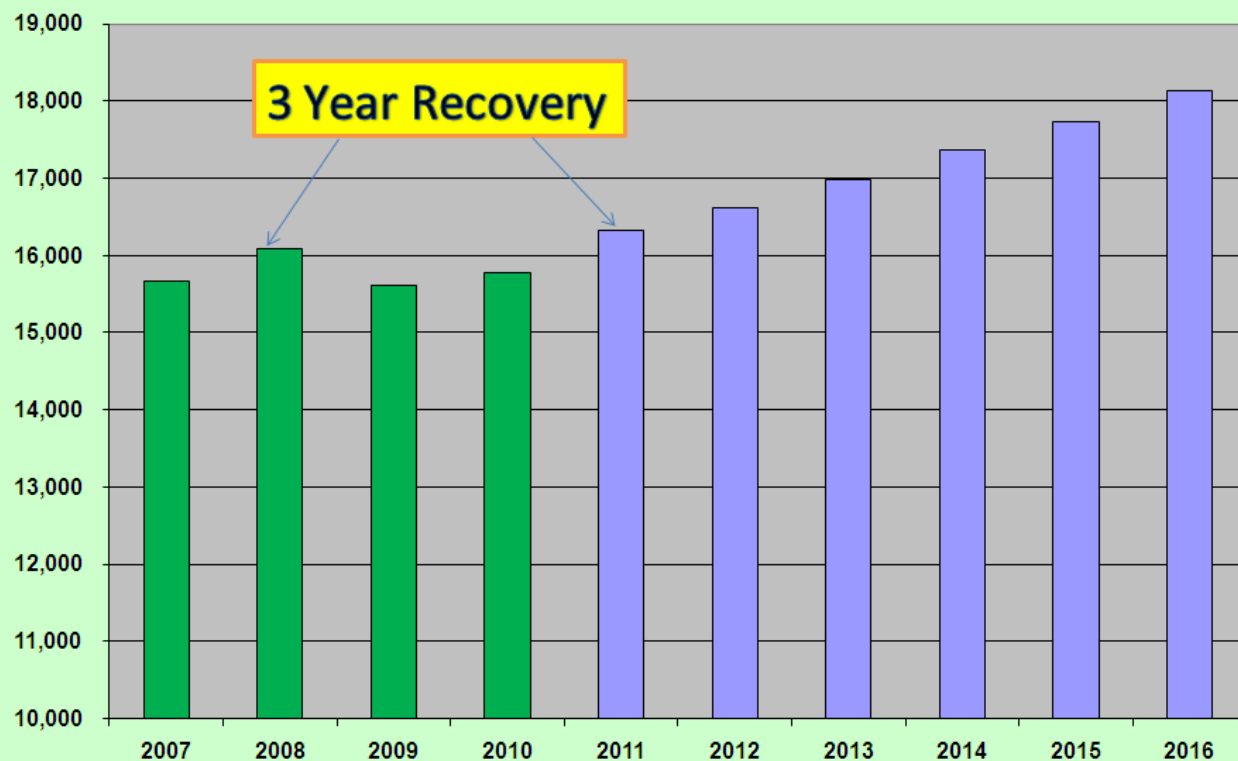
- Domestic airline industry was profitable in 2010, forecasting near breakeven for 2011
  - IATA forecasting global industry profit of \$6.9 billion in 2011
- Fuel costs are high (near 2008 levels), yet Industry has figured out how to survive:
  - Focus on profit, not market share
    - Unprofitable routes eliminated
  - Seasonal capacity changes, very high load factors
  - Consolidation
  - Ancillary fees
- Industry expert predicts limited domestic growth, but there will be winners and losers among airports
  - Large hubs with limited regional competition and international connections will likely see growth

# Implications for Sea-Tac

- Sea-Tac will likely see growth in spite of economic uncertainty
  - SEA is a large hub, has international connections, and has limited competition
- Very resilient market
  - “Only” 3% drop in traffic during Great Recession
- Alaska Airlines is profitable and growing
  - Record earnings for 2011 YTD
  - Highest enplanement growth among U.S. airlines for January – June 2011 (10.7%)
- Implications: Need to plan for growth

# Sea-Tac Status

- Positive enplanement growth each month since June 2010
- Strong YTD enplanement growth through August 2011: + 4.5%
  - International +7.6%
- Forecasting growth of 3.8% for 2011
  - Exceeding last year's 2011 growth forecast of 1.0%
- Economic uncertainty and effect on future air travel remains a concern
  - Airport is prepared to adjust budgets as needed if economic conditions deteriorate



- Traffic dropped 3% in recent recession, pointing out resiliency of market demand
- Faster recovery than after 2001
- Assumptions:
  - 2011: 3.8%
  - 2012: 1.5%
  - 2013: 2.2%
  - 2014+: 2.2%

# Financial Goals

- Aeronautical side of business revenues based on cost-recovery formulas
  - Focus is on managing costs, so CPE is primary measure
- Non-aeronautical side of business is focused on generating cash flow, so NOI is primary measure
- Total airport:
  - Increase cash flow after debt service
  - Maintain debt service coverage > 1.25x
  - Maintain unrestricted cash balance > 10 months O&M expenses

2011 Forecast CPE for 2012	\$ 13.13
Plus increase in Terminal Realignment	0.31
Plus increase in RMM	0.04
CPE Target	\$ 13.48
CPE for 2012 Budget	\$ 13.43
Exceeded target	0.05

# Non-aeronautical Goal

- Goal is long-term growth in NOI. 2012 is a year of investment for future growth; NOI declining \$5.3 million:
  - Rental car revenue is down for 2012 due to:
    - Space rent in garage replaced with lower land rent for rental car facility (permanent)
    - Lease incentives to complete tenant improvements (one-time)
  - Land development costs in anticipation of future revenues: brokerage fees, etc.
  - Planning for new concessions space to come on-line in 2013
  - Marketing and promotion to increase parking revenue
- 2012 NOI reduction, positioned for future growth

# Budget Drivers

- Expenses driven by:
  - Payroll and contractual increases
  - Opening rental car facility / busing service
    - \$9.6 million operating costs and 80.6 FTEs
    - CFC revenues increase to cover almost all costs
  - Terminal realignment
    - Multiple capital projects, mostly approved by Commission
    - \$8.2 million in operating budget, drives increase in 2012 airline costs (CPE)
  - New initiatives tied to Strategic Goals / Century Agenda
- Revenues driven by:
  - Airline revenues increasing due to costs for terminal realignment, maintenance and capital costs
  - Non-airline revenues:
    - Increase in CFC to pay for operating costs of RCF / busing
    - Reduction in rental car revenues due to relocation and incentives



# Aviation Expense Summary

- Cost increases:
  - Compensation +\$5.0 million
  - Contracts: +\$1.3 million
- Rental car facility / busing – (see Appendix A)
- Terminal realignment will total \$8.2 million (increase of \$5.2M).
  - Port project oversight of tenant projects
  - Tenant reimbursement
- Grant funded costs always excluded from baseline budget
- Environmental remediation expense driven by capital projects:
  - Vertical conveyance
  - Common use expansion
  - South Sat. concessions
  - GSE Electrical charge stations

	<u>\$000s</u>	<u>%</u>
<b>2011 Budget</b>	139,575	
Cost increases (compensation, contractual)	6,348	4.5%
Rental Car Facility & Busing (CFC funded)	7,593	5.4%
Increase in Terminal Realignment	5,200	3.7%
Decrease of Grant funded operating costs	(405)	-0.3%
Increase in RMM	1,325	0.9%
Subtotal	<u>20,062</u>	<u>14.4%</u>
<b>Budget Requests</b>	<b>8,811</b>	
Net savings/one-time items	<b>(5,539)</b>	
Subtotal	<b><u>3,272</u></b>	<b><u>2.3%</u></b>
Total increase	<u>23,334</u>	<u>16.7%</u>
<b>2012 Budget</b>	<u><u>162,908</u></u>	

## Summary:

While budget increase is large, only \$3.3 million (2.3%) is driven by new requests.

# Payroll Costs

<b>Baseline Payroll</b>	<b>2011</b>	<b>2012</b>	<b>Change</b>	<b>%</b>
Salary	18,195	19,364	1,169	6.4%
Salary Benefits	6,639	6,835	196	3.0%
Wage	37,931	40,655	2,723	7.2%
Wage Benefits	16,726	17,645	919	5.5%
Subtotal	79,490	84,498	5,007	6.3%
Rental Car Facility	184	5,905	5,721	3116.3%
<b>Total</b>	<b>79,674</b>	<b>90,403</b>	<b>10,729</b>	<b>13.5%</b>

Table above shows payroll costs before 2012 requests. Variances included the following:

- 2012 salaries include \$645K additional costs of FTEs added during 2011
- Wages:
  - 2011 FTEs added with full funding in 2012      \$559K
  - Retro contractual increase not 2011 budget      \$198K
  - 2012 contractual increases      \$796K
  - Firefighters added with SAFER grant      \$350K

# Budget Requests

- Initial budget requests totaled \$24 million
- \$8.8 million proposed for approval, or 37% of requests
- Offset by \$5.6 million of cuts and savings from one-time items in 2011 budget (details covered later)
- Next slides will focus on budget requests
- Requests organized by Strategic Goal

# Budget Drivers: Strategic Goals

1. Operate a world-class international airport by:
  - Ensuring safe and secure operations
  - Meeting needs of our tenants, passengers and the region's economy
  - Managing our assets to minimize the long-term total cost of ownership
2. Become one of the top ten customer service airports in the world by 2015 (measured by the ACI ASQ index)
3. Lead the airport industry in environmental innovation and minimize the airport's environmental impacts
4. Reduce airline costs (CPE) as far as possible without compromising operational and capital needs

# Budget Drivers: Strategic Goals

5. Maximize non-aeronautical net operating income (NOI) consistent with current contracts, appropriate use of airport properties and market demand
6. Continually invest in a culture of employee development, organizational improvement, and business agility
7. Develop valued community partnerships based on mutual understanding and socially responsible practices

# New Requests Summary

<b>New Requests:</b>	<b>\$000s</b>
Safe/Secure Airport	764
Customer needs/capacity	680
Asset Management:	
New Facilities/Assets	1,652
Maintenance Resource Alignment	1,717
Total	3,369
Customer service	1,567
Airline cost management	428
Non-Aero revenue development	
Costs offset by new revenues	808
Future revenue development costs	802
Total	1,609
Other	394
Total	8,811

# New Requests

## Safe/Secure Airport

Description	\$000s	FTEs
Wildlife Specialist	75	1
Painters	135	2
Safety Mgmt System Impl & Facilitation	108	
Upgrade backup C4 facility	50	
Other	396	
<b>Total</b>	<b>764</b>	<b>3</b>

## Capacity and Customer Needs

Description	\$000s	FTEs
Master Plan	230	
Terminal development strategy planning	200	
Airfield project planning and analysis	100	
Air service development FTE	75	1
Other	75	
<b>Total</b>	<b>680</b>	<b>1</b>

- Wildlife Specialist allows for studies to be done in-house to reduce consulting costs and reduce pest presence to customers/aircraft
- Painters will update striping for safety concerns on the Airfield/Landside properties
- Safety Management System has been approved by Commission as a commitment to safety; 75% of which is grant funded

# New Requests

## New Facilities

Description	\$000s	FTEs
Common Use System support	314	3
Airfield lighting photometrics	218	2
Airfield crew 3rd runway	258	4
Pre-conditioned air system	544	6
Landscaping	156	
Other	162	
<b>Total</b>	<b>1,652</b>	<b>15</b>

## Maintenance Resource Alignment

Description	\$000s	FTEs
Mechanical Systems Support	188	2
STS Electronic Tech and materials	234	3
Auto mechanics for deferred maintenance	177	2
Maintenance Planning Coordinator	70	1
Conveyor shop materials	160	
Cargo building mgmt (\$500K new revenues)	585	
Outside fence property cleanup	100	
Other	203	
<b>Total</b>	<b>1,717</b>	<b>8</b>

- Pre-conditioned air was estimated at \$800K annual O&M costs in 2010.
- Third runway became operational in late 2008, but staffing for airfield crew was not increased. Additional work load can't be accomplished.
- Electrical technicians support common use system.
- Airfield photo-metrics initiative supports compliance with FAA regulations.
- STS running more cars and longer hours.



## Non-Airline Revenue Development

Description	\$000s
<b>Offset by New 2012 Revenues:</b>	
Tenant marketing expense increase	100
Public parking marketing and promotion	430
Conference center video equip& advertising	64
Club International	214
Subtotal	808
<b>Future Revenue Development Costs:</b>	
Concession leasing and planning	300
Land Development: Brokerage Commission	234
Land Development Planning	250
Other	18
Subtotal	802
<b>Total</b>	<b>1,609</b>

## Customer Service

Description	\$000s	FTEs
Enhanced elevator/escalator service	500	
Pathfinders support for escalator project	251	4
Loading bridge and garage lobby flooring	133	
Window interior and exterior cleaning	90	
Remote cruise screening facility	84	
Baggage Mgr & Electrical Support	194	2
Restroom facility support	139	1
Carpenter	79	1
Sign Writer	65	1
Other	32	
<b>Total</b>	<b>1,567</b>	<b>9</b>

- Escalator replacement project drives need for enhanced service and more Pathfinders for customer service.

# New Requests

## Airline Cost Management

Description	\$000s	FTEs
Energy Management	257	2
Continuous Process Improvement	110	
Other	61	
<b>Total</b>	<b>428</b>	<b>2</b>

## Other New Initiatives

Description	\$000s	FTEs
Maintenance Budget Specialist	56	1
Wetland Re-delineation	125	
Part 150	97	
Undergraduate and Graduate Internship	84	2.25
RCF Opening Celebration	15	
Other	18	
<b>Total</b>	<b>394</b>	<b>3.25</b>

- Energy management team will perform ongoing dynamic air and water balancing for all HVAC system at SeaTac which will reduce future electrical consumption and save costs. Also key initiatives of Environmental Strategy.
- 2012 budget requests continuation of consultant support for Continuous Process Improvement initiative.
- Wetlands re-delineation is required.

# Cuts / Trade-offs

- Initial requests of \$24 million vs. proposed requests for approval of \$8.8 million
- Cut from budget:
  - Temporary back-up power \$2.3M (plus \$570K from CDD for total of \$2.8M)
  - Environmental remediation liability \$1M
- Budget requests that were reduced:
  - Elevator/escalator service \$1.1M
  - Concessions \$200K
- Total budget requests denied \$15.2M

Budget Request	Amount Denied/ (\$ in 000s)
Enhanced Elevator/Escalator Service	1,061
Additional Janitorial Services	649
Carpet Replacement in Garage Lobbies	354
Garbage/Recycling Cans	351
Winter Chemical Cost Increases	350
Maintenance Support (2 FTEs)	218
Emergency Mgmt (2 FTEs)	207
Lora Lake Study	200
Runway Studies/Pavement Classification	200
Airfield planning and analysis	200
Demo of Gym at Learning Center	130
Elevator Cab Re-Flooring	106
South Satellite Fixed Stanchions	100
All Other Denied Budget Requests	11,073
<b>Total Denied Budget Requests</b>	<b>15,200</b>

# Expense Summary by Department

\$ in 000's	2009	2010	2011	2012	'12-'11 Budget Change	
	Actual	Actual	Budget	Budget	\$	%
Airport Operations						
Operations	29,039	31,726	32,204	33,489	1,285	4.0%
Rental Car Facility	-	-	660	7,593	6,933	1050.5%
Terminal Realignment	-	-	3,000	8,200	5,200	173.3%
Subtotal	29,039	31,726	35,864	49,282	13,418	37.4%
Business Development	4,024	3,431	4,272	5,464	1,192	27.9%
SeaTac Utilities	14,971	13,668	15,322	13,050	(2,273)	-14.8%
Aviation Maintenance	45,791	46,636	48,678	56,357	7,679	15.8%
Fire Department	11,848	11,143	11,799	11,749	(50)	-0.4%
Airport Security	6,215	5,636	6,044	6,137	92	1.5%
AV Environmental Programs	2,940	3,244	3,705	3,847	142	3.8%
Aviation Director's Office	101	1,150	1,431	1,804	373	26.1%
AV Facilities & Infrastructure	1,612	1,524	1,654	1,923	270	16.3%
Aviation Planning	1,263	991	2,373	1,898	(474)	-20.0%
Other (Excluding AV PMG)	2,952	4,061	6,663	8,302	1,639	24.6%
<b>Baseline O&amp;M</b>	120,755	123,210	137,804	159,812	22,009	16.0%
Environmental Remediation Liability	1,991	3,271	1,771	3,096	1,325	74.8%
<b>Total Airport Expenses</b>	<b>\$ 122,747</b>	<b>\$ 126,481</b>	<b>\$ 139,575</b>	<b>\$ 162,909</b>	<b>\$ 23,334</b>	<b>16.7%</b>

- SeaTac utilities 2012 budget decreased due to eliminating emergency generators
- Other budget line increased in 2012 due to budgeting worker's comp, unemployment, and OPEB in one new Org versus individual department.

# Expense Summary by Accounts

\$ in 000's	2009	2010	2011	2012	'12-'11 Budget Change	
	Actual	Actual	Budget	Budget	\$	%
Payroll	\$ 80,804	\$ 76,036	\$ 81,673	\$ 95,732	\$ 14,059	17.2%
Outside Services	21,509	22,519	29,453	37,534	8,081	27.4%
Utilities	13,209	11,381	12,576	12,584	8	0.1%
Supplies & Stock	4,779	4,692	4,100	4,425	325	7.9%
Other	455	11,853	11,773	12,634	861	7.3%
<b>Baseline O&amp;M</b>	120,755	123,210	137,804	159,812	22,009	16.0%
Environmental Remediation Liability	1,991	3,271	1,771	3,096	1,325	74.8%
<b>Total Airport Expenses</b>	<b>\$ 122,747</b>	<b>\$ 126,481</b>	<b>\$ 139,575</b>	<b>\$ 162,909</b>	<b>\$ 23,334</b>	<b>16.7%</b>

## Payroll variances include:

- 2012 baseline increase \$5M
- Rental car facility \$5.9M
- 2012 budget requests \$3M

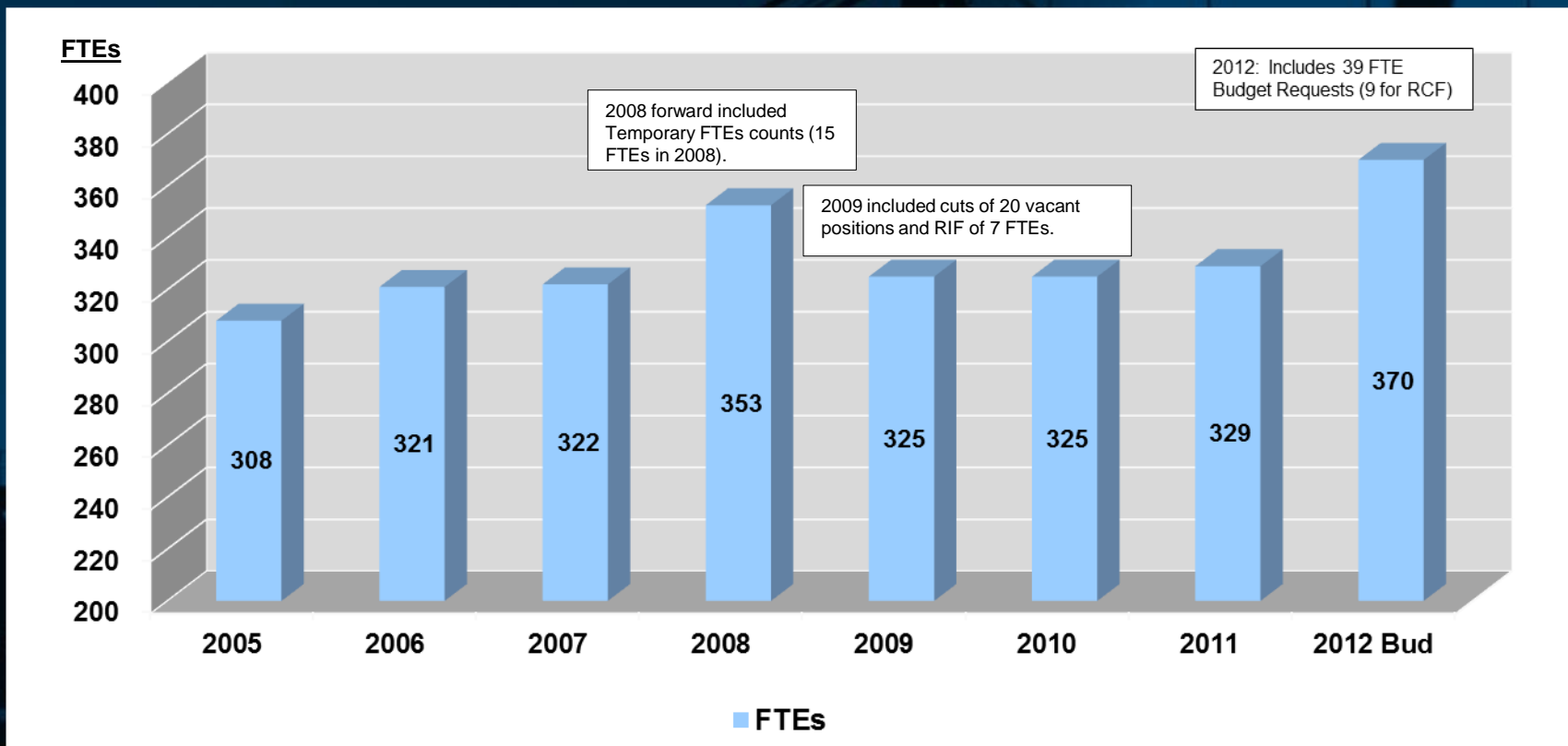
## Outside services variances include:

- Terminal realignment \$5.2M
- Enhanced escalator/elevator service \$500K
- Master long-term planning \$200K
- Cargo property management \$585K
- Non-airline revenue development \$808K
- Future revenue development costs \$802K

<b>Description</b>	<b>\$000s</b>	<b>FTEs</b>
Baseline budget	2,694	-
Rental Car Facility/Busing	1,073	9
New facilities	1,653	15
Safe/Secure airport	186	2
Maintenance resource alignment	941	8
Customer service	1,077	4
Other	56	1
	<b>7,679</b>	<b>39</b>

- 2009 budget cuts reduced Maintenance FTEs by 7.6%
- Cuts were not sustainable:
  - Workload to maintain existing assets has increased
  - New assets have been added

# Asset Growth vs. Maint. FTEs



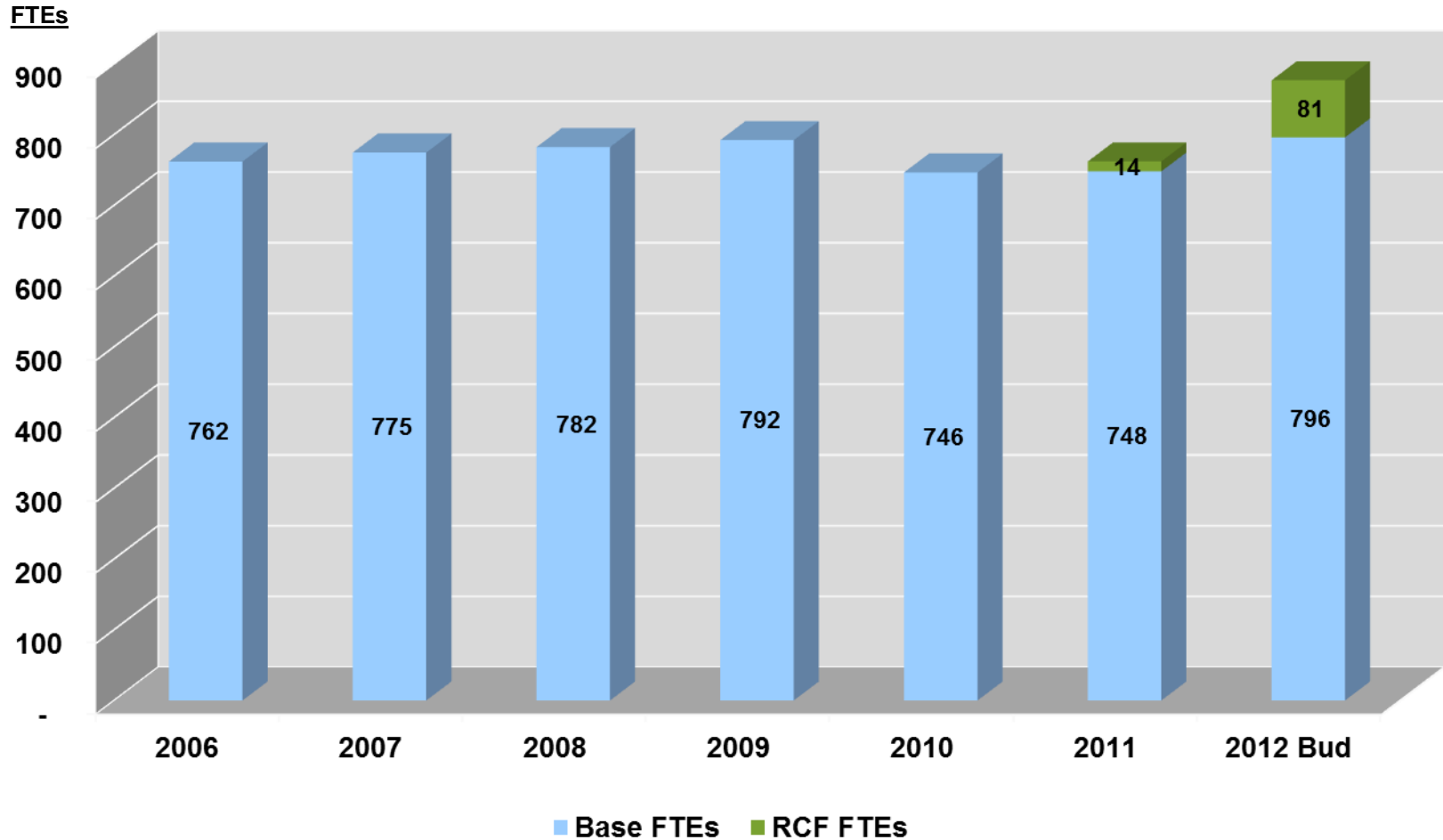
Asset Description	2005	2006	2007	2008	2009	2010	2011	2012 Bud
# of Jet Bridges	46	46	48	48	49	51	51	51
Acres of Wetland Mitigation	-	-	-	-	158	171	181	181
Stormwater Retention Reservoirs	15	17	18	22	23	23	24	24
Baggage/Conveyor Linear Ft	15,668	15,828	27,018	28,628	49,327	49,327	49,237	49,237
Runway Sqft	3,198,750	3,198,750	3,198,750	6,839,500	6,839,500	6,839,500	6,839,500	6,839,500

	FTEs	%
<b>2011 Budget</b>		
Aviation	749.9	
Rental Car Facility	12.0	
	<u>761.9</u>	
FTEs added in 2011	7.1	
<b>2011 Baseline</b>	<u>769.0</u>	
<b>2012 Budget Changes:</b>		
Rental Car Facility (RCF) & Busing:		
Bus Drivers	50.0	
BMF Mechanics	5.0	
BMF Utility Workers	4.0	
Traffic Support Specialists	7.6	
RCF & BMF Subtotal	<u>66.6</u>	
Other Aviation Division Initiatives:		
New Facilities & Assets	15.0	
Safe & Secure Airport	3.0	
Customer Needs & Capacity	1.0	
Asset Management	8.0	
Customer Service	9.0	
Airline cost Management	2.0	
Employee Development	2.3	
Other Initiatives Subtotal	<u>41.3</u>	
<b>2012 Budget Proposed FTEs</b>	<u><u>876.9</u></u>	<b>15.1%</b>

	2011 Budget	2012 Added in Budget	2012 Proposed Budget	% Change 2012 Bud - 2011 Bud	
Airport Operations					
Aeronautical	109.0	(5.0)	7.3	111.3	2.11%
Landside	83.3	3.2	57.6	144.1	72.99%
	<u>192.3</u>	<u>(1.8)</u>	<u>64.9</u>	<u>255.4</u>	<u>32.82%</u>
Business Development	20.0	-	1.8	21.8	8.75%
Aviation Services	177.3	6.9	-	184.1	3.87%
Facilities	43.4	-	2.3	45.7	5.18%
Maintenance	329.0	2.0	39.0	370.0	12.46%
<b>Total Aviation Division</b>	<u><b>761.9</b></u>	<u><b>7.1</b></u>	<u><b>107.9</b></u>	<u><b>876.9</b></u>	<u><b>15.1%</b></u>



# Aviation FTEs: 2006 - 2012



	2006	2007	2008	2009	2010	2011	2012 Bud
Total FTEs	762	775	782	792	746	762	877

# Non-Airline Business

\$ in 000's	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	'12-'11 Bud Change	
						Var \$	Var %
<b>Revenues:</b>							
Public Parking	\$ 49,689	\$ 49,416	\$ 52,847	\$ 51,542	\$ 53,780	\$ 933	1.8%
Customer Facility Charge (RCF)	-	-	1,543	500	9,104	7,560	489.9%
Rental Cars	33,320	30,309	32,290	31,678	26,367	(5,923)	-18.3%
Concessions	33,473	33,765	32,640	34,366	34,769	2,129	6.5%
Other	20,865	21,929	25,644	26,818	26,228	584	2.3%
<b>Total Non-Airline Revenue</b>	<b>137,348</b>	<b>135,418</b>	<b>144,965</b>	<b>144,904</b>	<b>150,248</b>	<b>5,284</b>	<b>3.6%</b>
RCF Operating Expense	-	-	1,546	1,546	9,337	7,791	503.9%
<b>All Other Operating Expense</b>	<b>55,916</b>	<b>54,743</b>	<b>62,850</b>	<b>61,479</b>	<b>66,195</b>	<b>3,344</b>	<b>5.3%</b>
Share of terminal O&M	17,011	16,935	17,940	17,467	19,082	1,142	6.4%
Less utility internal billing	(16,738)	(14,464)	(18,370)	(18,370)	(20,010)	(1,640)	8.9%
Net Operating & Maint	56,189	57,215	63,967	62,122	74,604	10,637	16.6%
<b>Net Operating Income</b>	<b>\$81,159</b>	<b>\$78,203</b>	<b>\$80,997</b>	<b>\$82,782</b>	<b>\$75,644</b>	<b>\$(5,354)</b>	<b>-6.6%</b>

- Customer Facility Charge increase to cover operating costs associated with Rental Car Facility and related busing operations.
- Rental cars revenues decreased in 2012 due to \$900K reduction of MAG and \$2 million credit incentive.
- Operating expense increased due to maintenance costs of \$1M, B&O taxes \$215K, Club International \$314K, and corporate and divisional allocations of \$2M.

# Non-Airline Key Indicators

	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	'12-'11 Bud Change	
						Var \$	Var %
<b>Revenues / Enplanement</b>							
Parking	3.18	3.13	3.34	3.16	3.24	(0.10)	-3.0%
Rental Car (net of CFCs)	2.13	1.92	2.04	1.94	1.59	(0.45)	-22.1%
Concessions	2.14	2.14	2.06	2.11	2.09	0.03	1.6%
Other	1.34	1.39	1.62	1.64	1.58	(0.04)	-2.5%
<b>Total Revenue</b>	<b>8.80</b>	<b>8.59</b>	<b>9.15</b>	<b>8.88</b>	<b>9.04</b>	<b>(0.11)</b>	<b>-1.2%</b>
<b>Primary Concessions Sales / Enpl</b>	9.66	9.99	10.12	10.24	10.42	0.30	3.0%
<b>Gross Profit Margin</b>	59.1%	57.7%	55.9%	57.1%	50.3%	(0.06)	-9.9%

- Concessions 2012 budget lower than 2011 forecast due to one-time revenues in 2011, such as Google promotions.

# Aeronautical Business

\$ in 000's	2009	2010	2011	2011	2012	'12-'11 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	Var \$	Var %
<b>Revenues requirement:</b>							
Capital Costs	\$ 72,013	\$ 82,083	\$ 87,111	\$ 85,554	\$ 91,630	\$ 4,519	5.2%
Operating Costs net Non-Aero	118,456	122,985	137,195	135,793	152,845	15,651	11.4%
<b>Total Costs</b>	<b>190,469</b>	<b>205,067</b>	<b>224,305</b>	<b>221,348</b>	<b>244,475</b>	<b>20,170</b>	<b>9.0%</b>
FIS Offset	(5,250)	(7,000)	(7,000)	(7,000)	(8,000)	(1,000)	14.3%
Other Offsets	(16,441)	(15,767)	(14,821)	(14,882)	(13,523)	1,298	-8.8%
Net Revenue Requirement	168,778	182,300	202,485	199,466	222,953	20,468	10.1%
Other Aero Revenues	13,757	16,029	14,715	14,715	15,197	482	3.3%
<b>Total Aero Revenues</b>	<b>182,534</b>	<b>198,329</b>	<b>217,200</b>	<b>214,181</b>	<b>238,149</b>	<b>20,950</b>	<b>9.6%</b>
Non-passenger Airline Costs	12,074	14,885	15,066	15,566	15,051	(15)	-0.1%
<b>Net Passenger Airline Costs</b>	<b>\$170,460</b>	<b>\$183,444</b>	<b>\$202,133</b>	<b>\$198,614</b>	<b>\$223,098</b>	<b>\$ 20,965</b>	<b>10.4%</b>

- Major increases to aeronautical operating costs include Terminal Realignment project (\$5.2 million), maintenance FTEs in support of aeronautical business (\$2 million), Planning studies for terminal development/FIS (\$150K), Environmental work (\$145K).
- Increases to debt service is mainly driven by an increase in principal payment for 2005 bonds (\$2.4 million aero), funding source for aero projects such as Runway 16L.
- Amortization of new aeronautical assets (\$3.3 million) is driven by Runway 16C taxiway panel (\$591K), HVAC air ducts (\$222K), and allocation of IT/Roadways assets (\$811K).

# Aeronautical Key Indicators

	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	12-'11 Bud Change	
						Var \$	Var %
<b>CPE:</b>							
Capital Costs / Enpl	4.61	5.20	5.50	5.24	5.51	0.02	0.3%
Operating Costs / Enpl	7.59	7.80	8.66	8.32	9.20	0.54	6.2%
Offsets	(1.39)	(1.44)	(1.38)	(1.34)	(1.30)	0.08	-6.0%
Other Aero Revenues	0.88	1.02	0.93	0.90	0.91	(0.01)	-1.5%
Non-passenger Airline Costs	(0.77)	(0.94)	(0.95)	(0.95)	(0.91)	0.05	-4.7%
<b>Passenger Airline CPE</b>	<b>10.92</b>	<b>11.63</b>	<b>12.76</b>	<b>12.17</b>	<b>13.43</b>	<b>0.67</b>	<b>5.2%</b>

- Increased operating costs are primary driver for increased CPE:
  - Terminal realignment, incremental CPE impact of \$0.31
  - Environmental remediation liability increase of \$1.1M, or \$0.04 CPE
  - Maintenance additional FTEs or \$0.15 CPE
  - Security fund deposit \$1.9M, or \$0.04 CPE
  - Offsets lower due to decreased levels of aeronautical related reimbursements, no TSA grant

# Division Summary

\$ in 000's	2009	2010	2011	2011	2012	'12-'11 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
<b>Revenues</b>							
Total Airline Revenues	\$ 182,534	\$ 198,329	\$ 217,200	\$ 214,181	\$ 238,149	\$ 20,950	9.6%
Other Non-Airline Revenues	137,348	135,418	144,965	144,904	150,248	5,284	3.6%
Fuel Hydrant	8,359	8,426	8,353	8,353	514	(7,839)	-93.8%
Fuel Hydrant reclass as Non-operating ***	(7,845)	(7,912)	(7,839)	(7,839)	-	7,839	-100.0%
Total Revenues	320,396	334,262	362,678	360,099	388,911	26,233	7.2%
<b>Airport Expenses</b>							
Corporate Expenses	122,877	126,481	139,575	137,119	162,909	23,334	16.7%
Police Expenses	32,492	33,975	35,529	34,802	37,602	2,073	5.8%
CDD/Other Expenses	14,461	14,317	16,389	16,382	17,102	714	4.4%
Corporate and Other Expenses	4,823	6,368	9,458	9,611	9,838	380	4.0%
Total Aviation Expenses	51,777	54,660	61,376	60,795	64,542	3,166	5.2%
Total Aviation Expenses	174,654	181,142	200,950	197,915	227,450	26,500	13.2%
Net Operating Income	<u>\$ 145,742</u>	<u>\$ 153,120</u>	<u>\$ 161,728</u>	<u>\$ 162,184</u>	<u>\$ 161,461</u>	<u>\$ (267)</u>	-0.2%
<b>Key Measures</b>							
Non-Aeronautical NOI	81,159	78,203	80,997	82,782	75,644	(5,354)	-6.6%
Net Cash Flow after Debt Service	48,433	44,585	45,382	49,366	42,662	(2,720)	-6.0%
Passenger Airline CPE	10.92	11.63	12.76	12.20	13.43	0.67	5.2%
Debt Service Coverage	1.42	1.40	1.40	1.44	1.34	(0.06)	-4.4%
<b>Traffic</b>							
Enplanements	15,610	15,773	15,845	16,325	16,618	773	4.9%
Landed Weight	20,388	19,786	20,089	20,089	20,290	201	1.0%

\*\*\* Accounting change: non-cash transaction relating to fuel hydrant bonds.

# Key Non-operating Revenues

\$ in 000's	2009	2010	2011	2011	2012	12-'11 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Customer Facility Charges (Operating)	-	-	1,543	500	9,104	7,560	83.0%
Customer Facility Charges (Non-Operating)	21,866	23,243	22,237	23,275	21,333	(904)	-4.2%
Total CFC Revenue	21,866	23,243	23,780	23,775	30,436	6,657	28.0%
Passenger Facility Charges	59,689	59,744	61,320	61,933	63,142	1,822	2.9%
Grants & Donations Revenues	74,323	30,040	28,990	28,990	28,982	(8)	0.0%

- CFCs split between non-operating revenues (pays for debt service) and operating revenues. Total increasing due to rate increase on opening day.
- 90% of PFCs used to pay debt service on PFC eligible projects.
- Grants tied to specific projects approved for grant funding by FAA.

\$ in 000's	2011 Bud	2012	2013	2014	2015	2016
Airline Revenue	\$217,200	\$238,149	\$265,368	\$273,652	\$286,355	\$293,200
Non-Airline Revenue	144,965	150,248	161,533	167,729	174,512	182,997
Other Revenue (Excl Fuel Hyd)	514	514	514	514	514	514
<b>Total Revenue</b>	<b>362,678</b>	<b>388,911</b>	<b>427,415</b>	<b>441,895</b>	<b>461,381</b>	<b>476,711</b>
Operating Expense	200,950	227,450	243,305	230,976	234,915	243,726
<b>Net Operating Income (NOI)</b>	<b>161,728</b>	<b>161,461</b>	<b>184,110</b>	<b>210,919</b>	<b>226,466</b>	<b>232,985</b>
Non-Operating Income	4,167	3,771	2,160	6,002	6,047	5,998
CFC Excess*	-	-	(1,866)	(1,500)	(2,129)	(5,258)
<b>Available for Debt Service</b>	<b>165,895</b>	<b>165,232</b>	<b>184,404</b>	<b>215,421</b>	<b>230,384</b>	<b>233,725</b>
Debt Service	(171,474)	(181,555)	(192,510)	(223,131)	(233,515)	(234,279)
Debt Service paid by CFCs	20,048	21,698	22,381	24,717	26,199	25,335
Debt Service paid by PFCs	32,257	37,103	36,094	36,402	41,035	41,965
<b>Net Cash Flow</b>	<b>46,726</b>	<b>42,478</b>	<b>50,369</b>	<b>53,409</b>	<b>64,103</b>	<b>66,746</b>
<b>Key Measures</b>						
Total Airport Coverage	1.40	1.35	1.38	1.33	1.39	1.40
Rates and Charges Coverage	1.00	1.00	1.00	1.00	1.00	1.00
Passenger Airline CPE	12.76	13.43	14.70	14.82	15.19	15.22
CPE - Nov. 2005 (SLOA)	15.47	16.49	16.69	17.65	17.59	19.39
Reduction in CPE	(2.71)	(3.06)	(1.99)	(2.83)	(2.40)	(4.17)

\* CFC collections in excess of CFC debt service/O&M are restricted and cannot be used for other revenue bond debt service.



# Risks & Opportunities

- Risks:
  - Economic uncertainty, airline profitability and seat capacity in Seattle market
  - Parking competition
  - Environmental costs for Lora Lake
  - Opening date for rental car facility affects the timing of costs and new revenues
  - Pending labor settlements vs. baseline budget assumptions
  - Weather forecast: wet and cold – snow?
- Opportunities:
  - Plan to launch parking promotions
  - Terminal concessions have remained strong, growth may exceed forecast
  - New international service

The background of the slide is a dark blue-tinted photograph of a port. On the left, the bow of a large ship is visible. In the center, there are cranes and industrial structures. On the right, the silhouettes of several people are visible, including one person in the foreground who appears to be talking on a mobile phone. The overall scene is industrial and maritime.

# Seaport Division 2012 Preliminary Operating Budget

Commission Briefing

October 4, 2011



**Terminal 91**



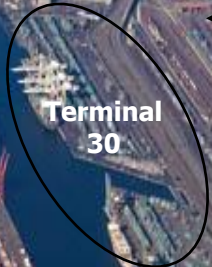
**Pier 86**



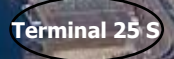
**Pier 66**



**Terminal 46**



**Terminal 30**



**Terminal 25 S**

**T-18 On-Dock Rail**



**Terminal 18**

**T-5 On-Dock Rail**



**Terminal 5**

**BNSF (SIG - North)**



**BNSF (SIG - South)**



**UPRR (ARGO)**



In 2011, the Seaport's three Strategic Initiative Teams developed long term Seaport Strategies:

1. Commercial Business
2. Asset Stewardship
3. Green Gateway

For 2012, Seaport will advance these strategies in alignment with the Commission's Century Agenda, the CEO's Goals and Key Corporate Initiatives.

# Key Revenue Assumptions

- TEU volume at 2.0 million, an 11% increase from 2011 budget
- Cruise forecast 11% increase in passengers
- Grain volume level to 2011 budget
- CPI increase of 2.5% for applicable tariffs and lease rates

# Expense Issues

- Comprehensive Asset Condition Assessments
- Maintenance Dredging
- Pile Cap Pilot Program and Repair Costs
- Stormwater
- NW Ports Clean Air Strategy
- Utility Increases
- Alaskan Way Viaduct monitoring related costs
- Environmental Remediation Liability

# Org Revenues By Group

Seaport Division Only

\$'s Thousands	2010	2011	2011	2012	'12-'11 Bud Chg	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenue</b>						
Lease & Asset Management	80,248	81,474	82,145	81,000	(475)	-0.6%
Cruise & Maritime Ops	15,240	13,263	14,623	15,554	2,290	17.3%
<b>Operating Revenue</b>	<b>95,489</b>	<b>94,738</b>	<b>96,769</b>	<b>96,553</b>	<b>1,816</b>	<b>1.9%</b>
Security Grants	1,791	3,415	697	1,598	(1,817)	-53.2%
<b>Total Revenues</b>	<b>97,279</b>	<b>98,153</b>	<b>97,466</b>	<b>98,151</b>	<b>(1)</b>	<b>0.0%</b>

# Org Revenues Lease & Asset Management

\$'s Thousands	2010	2011	2011	2012	'12-'11 Bud Chg	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenue</b>						
Containers	61,036	61,916	62,788	60,435	(1,481)	-2.4%
Grain	6,035	6,087	6,087	6,088	1	0.0%
Industrial Properties	13,177	13,471	13,270	14,476	1,006	7.5%
<b>Operating Revenue</b>	<b>80,248</b>	<b>81,474</b>	<b>82,145</b>	<b>81,000</b>	<b>(475)</b>	<b>-0.6%</b>



# Org Revenues Cruise & Maritime Operations

\$'s Thousands	2010	2011	2011	2012	'12-'11 Bud Chg	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenue</b>						
Cruise	11,666	10,150	11,450	11,718	1,568	15.4%
Docks	3,574	3,113	3,173	3,836	723	23.2%
<b>Operating Revenue</b>	<b>15,240</b>	<b>13,263</b>	<b>14,623</b>	<b>15,554</b>	<b>2,290</b>	<b>17.3%</b>
Security Grants	1,791	3,415	697	1,598	(1,817)	-53.2%
<b>Total Revenues</b>	<b>17,031</b>	<b>16,678</b>	<b>15,320</b>	<b>17,152</b>	<b>473</b>	<b>2.8%</b>

# Org Expenses By Group

Seaport Division Only

						<i>Incr (Decr)</i>	
	2010	2011	2011	2012	'12-'11 Bud Chg		
\$'s Thousands	Actual	Budget	Forecast	Budget	\$	%	
<b>Org Expenses</b>							
Lease & Asset Mgmt	5,780	8,326	7,118	8,061	(265)	-3.2%	
Cruise & Maritime Ops	3,890	3,366	3,222	3,985	619	18.4%	
Commercial Strategy	1,215	1,874	1,626	1,841	(33)	-1.7%	
Environmental Services	2,782	3,120	2,575	2,828	(292)	-9.4%	
Planning	775	537	393	447	(90)	-16.8%	
Seaport Finance	607	896	951	1,012	116	12.9%	
Seaport Admin	1,039	921	583	758	(163)	-17.7%	
Contingency	0	250	0	0	(250)	-100.0%	
Capital to Expense	8	0	0	0	0	NA	
<b>Total Operating Expense</b>	<b>16,096</b>	<b>19,291</b>	<b>16,468</b>	<b>18,932</b>	<b>(358)</b>	<b>-1.9%</b>	
Security Grants	1,982	3,451	768	1,476	(1,975)	-57.2%	
Envir Remediation Liability	1,439	500	250	0	(500)	-100.0%	
<b>Total Expenses</b>	<b>19,517</b>	<b>23,242</b>	<b>17,487</b>	<b>20,408</b>	<b>(2,834)</b>	<b>-12.2%</b>	

# Seaport Org Expense Budget

## Seaport Division Expenses Only

\$'s Thousands	2011	2012	12-'11 Change	
	Budget	Budget	\$	%
<b>Baseline Budget</b>				
Salaries	5,014	5,053	39	0.8%
Benefits	1,530	1,598	69	4.5%
Wages & Benefits	0	0	0	NA
OPEB	37	64	27	74.6%
Salaries & Wages to Cap/Non-Op/ERL	1,133	1,113	(19)	-1.7%
<b>Total Payroll Costs</b>	<b>7,713</b>	<b>7,829</b>	<b>116</b>	<b>1.5%</b>
Net Payroll Exp (net of to Cap/Non-Op/ERL)	6,580	6,716	135	2.1%
Utilities	4,811	5,014	202	4.2%
B&O Tax	308	386	77	25.0%
Contract Watchmen	456	597	141	30.9%
Projects Overhead	0	(408)	(408)	NA
Other O&M	3,912	3,857	(55)	-1.4%
<b>Total Baseline Budget</b>	<b>16,068</b>	<b>16,162</b>	<b>94</b>	<b>0.6%</b>
<b>Initiatives</b>				
Condition Assessments	1,000	0	(1,000)	-100.0%
Maintenance Dredging	1,050	500	(550)	-52.4%
Tribal Mitigation	331	340	9	2.7%
Pile Cap (Pilot & Commence Full)	0	1,200	1,200	NA
RFID Expenses	0	276	276	NA
Relocation Costs	100	0	(100)	-100.0%
Planning & Transportation Services	258	263	5	1.9%
ISO Certification (4 Terminals)	75	75	0	0.0%
Artifact Storage	9	117	108	1200.0%
Grain Terminal Appraisal/Assess	150	0	(150)	-100.0%
Contingency	250	0	(250)	-100.0%
<b>Total Initiatives</b>	<b>3,223</b>	<b>2,771</b>	<b>(452)</b>	<b>-14.0%</b>
<b>Total Operating Expenses</b>	<b>19,291</b>	<b>18,932</b>	<b>(358)</b>	<b>-1.9%</b>
Security Grant Expenses	3,451	1,476	(1,975)	-57.2%
Envir Remediation Liability	500	0	(500)	-100.0%
<b>Total Expenses</b>	<b>23,242</b>	<b>20,408</b>	<b>(2,834)</b>	<b>-12.2%</b>

# Initiatives

## \$'s in Thousands

### Initiatives - Proposed for 2012 Budget

#### Maintenance Dredging

T-5 maintenance dredging (phase 2)	500
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#### Pile Cap Repair

Pilot Program costs in 2012	700
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Commence pile cap repair	500
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	1,200
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#### RFID Implementation Costs (\$100 grant funded)

	276
--	-----

#### Tribal Mitigation

Contractual Payment	340
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#### Artifact Storage

	117
--	-----

#### Transportation & Planning Studies

Transportation	100
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Planning Studies	163
------------------	-----

	263
--	-----

#### Terminal Efficiency Initiative

ISO Certification (4 Terminals)	75
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#### Total 2012 Seaport One-Time Expenses

	2,771
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### 2012 Projects/Work Budgeted in CDD

Condition Assessments	1,000
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Berth Soundings	50
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AWV/Tunnel Monitoring	380
-----------------------	-----

	1,430
--	-------

# Northwest Ports Clean Air Initiatives and Envir Remediation Liability Classified as Non-Operating Expense

\$'s Thousands	2012
<u>Non-Operating Expense</u>	<u>Budget</u>
PSCAA	
ABC Fuels	\$700
Trucks	250
Cargo Handling Equip	100
Envir Remediation Liability -Sea	5,090
Envir Remediation Liability -RE	200
	<hr/>
Total	<u>\$6,340</u>

# Full-Time Equivalents (FTEs)

	<u>FTE's</u>
<b>2011 Budget</b>	60.4
<b><u>2011 Changes</u></b>	
<b>Staff Addition:</b>	
Sr. Financial Analyst from .6 to 1.0	0.4
<b>Staff Reductions:</b>	
Adj Asst Mgr Industrial Properties	-0.1
Elim Deputy Director position	-1.0
Ltd. Duration Real Estate Specialist	-0.6
<b>Adjusted 2011</b>	<b><u>59.1</u></b>
<b><u>2012 Budget</u></b>	
Add: Ltd Duration Real Estate Specialist	0.8
Subtotal	<u>0.8</u>
<b>Proposed FTE's for 2012</b>	<b><u><u>59.9</u></u></b>

# Full-Time Equivalents (FTEs) Summary

<u>Seaport FTE Summary</u>	2008 Bud	2009 Bud	2010 Bud	2011 Bud	2012 Bud
<b>Total Seaport</b>	<b>64.9</b>	<b>61.8</b>	<b>60.4</b>	<b>60.4</b>	<b>59.9</b>
Less: Interns	(2.8)	(2.2)	(2.2)	(2.2)	(2.2)
<b>Adjusted Seaport</b>	<b>62.1</b>	<b>59.6</b>	<b>58.2</b>	<b>58.2</b>	<b>57.7</b>

# Seaport Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

						<i>Incr (Decr)</i>	
	2010	2011	2011	2012	'12-'11 Bud Chg		
\$'s Thousands	Actual	Budget	Forecast	Budget	\$	%	
<b>Revenues</b>							
Operating Revenues	96,060	94,972	97,003	96,980	2,008	2.1%	
Security Grants	1,791	3,415	697	1,598	(1,817)	-53.2%	
<b>Total Revenues</b>	<b>97,850</b>	<b>98,387</b>	<b>97,700</b>	<b>98,578</b>	<b>191</b>	<b>0.2%</b>	
<b>Expenses</b>							
Seaport Expenses (excl env srvs)	12,932	15,729	15,301	15,515	(214)	-1.4%	
Environmental Services	1,982	2,208	1,935	2,009	(199)	-9.0%	
Maintenance Expenses	4,981	4,761	5,051	6,079	1,318	27.7%	
P69 Facilities Expenses	527	532	532	531	(1)	-0.2%	
Other RE Expenses	147	293	293	300	6	2.2%	
CDD Expenses	1,995	3,412	3,297	4,477	1,065	31.2%	
Police Expenses	3,201	3,713	3,713	4,167	454	12.2%	
Corporate Expenses	10,379	12,487	12,207	12,334	(154)	-1.2%	
Security Grant Expenses	1,982	3,451	733	1,476	(1,975)	-57.2%	
Envir Remed Liability	1,439	500	250	0	(500)	-100.0%	
<b>Operating Expenses</b>	<b>39,564</b>	<b>47,087</b>	<b>43,313</b>	<b>46,887</b>	<b>(200)</b>	<b>-0.4%</b>	
<b>Net Operating Income</b>	<b>58,286</b>	<b>51,300</b>	<b>54,387</b>	<b>51,691</b>	<b>391</b>	<b>0.8%</b>	



## Containers

	<i>Incr (Decr)</i>			
	2010	2011	2012	'12-'11 Bud Chg
\$'s Thousands	Actual	Budget	Budget	\$ %
<b>Revenues</b>				
Container Revenues	61,036	61,916	60,435	(1,481) -2.4%
Maintenance Reimbursable	296	138	300	162 117.4%
<b>Total Revenues</b>	<b>61,332</b>	<b>62,054</b>	<b>60,735</b>	<b>(1,319) -2.1%</b>
<b>Expenses</b>				
Seaport Expenses (excl env srvs)	5,470	7,745	7,917	173 2.2%
Environmental Services	1,307	1,335	1,029	(306) -23.0%
Maintenance Expenses	1,470	1,128	1,697	568 50.4%
P69 Facilities Expenses	326	329	336	7 2.0%
Other RE Expenses	8	15	20	5 37.1%
CDD Expenses	1,367	2,261	2,989	727 32.2%
Police Expenses	843	989	1,093	103 10.4%
Corporate Expenses	6,031	7,388	7,116	(272) -3.7%
<b>Operating Expenses</b>	<b>16,821</b>	<b>21,191</b>	<b>22,196</b>	<b>1,005 4.7%</b>
<b>Net Operating Income</b>	<b>44,511</b>	<b>40,863</b>	<b>38,539</b>	<b>(2,324) -5.7%</b>

# Grain Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Grain

				<i>Incr (Decr)</i>	
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$	%
\$'s Thousands					
<b>Revenues</b>					
Grain Revenues	6,035	6,087	6,088	1	0.0%
Maintenance Reimbursable	0	0	1	1	NA
<b>Total Revenues</b>	<b>6,035</b>	<b>6,087</b>	<b>6,089</b>	<b>1</b>	<b>0.0%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	306	449	261	(188)	-41.8%
Environmental Services	10	0	1	0	8.5%
Maintenance Expenses	29	21	53	32	153.7%
P69 Facilities Expenses	30	30	31	1	4.9%
Other RE Expenses	1	0	0	(0)	-100.0%
CDD Expenses	41	155	179	24	15.4%
Police Expenses	187	215	228	13	6.2%
Corporate Expenses	478	586	615	29	5.0%
<b>Operating Expenses</b>	<b>1,081</b>	<b>1,456</b>	<b>1,369</b>	<b>(88)</b>	<b>-6.0%</b>
<b>Net Operating Income</b>	<b>4,955</b>	<b>4,631</b>	<b>4,720</b>	<b>89</b>	<b>1.9%</b>

## Industrial Properties

					<i>Incr (Decr)</i>	
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$	%	
\$'s Thousands						
<b>Revenues</b>						
Industrial Properties Revenues	13,177	13,471	14,476	1,006	7.5%	
Maintenance Reimbursable	42	10	9	(1)	-6.1%	
<b>Total Revenues</b>	<b>13,219</b>	<b>13,481</b>	<b>14,486</b>	<b>1,005</b>	<b>7.5%</b>	
<b>Expenses</b>						
Seaport Expenses (excl env srvs)	3,348	3,800	3,482	(318)	-8.4%	
Environmental Services	506	702	569	(133)	-19.0%	
Maintenance Expenses	942	1,213	1,386	173	14.2%	
P69 Facilities Expenses	87	88	83	(6)	-6.3%	
Other RE Expenses	126	186	191	5	2.5%	
CDD Expenses	207	458	596	138	30.0%	
Police Expenses	823	944	1,000	56	5.9%	
Corporate Expenses	1,592	1,950	1,912	(39)	-2.0%	
<b>Operating Expenses</b>	<b>7,633</b>	<b>9,342</b>	<b>9,218</b>	<b>(124)</b>	<b>-1.3%</b>	
<b>Net Operating Income</b>	<b>5,587</b>	<b>4,139</b>	<b>5,268</b>	<b>1,129</b>	<b>27.3%</b>	

# Cruise Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Cruise

					<i>Incr (Decr)</i>	
	2010	2011	2012	'12-'11 Bud Chg		
\$'s Thousands	Actual	Budget	Budget	\$	%	
<b>Revenues</b>						
Cruise Revenues	11,666	10,150	11,718	1,568	15.4%	
Maintenance Reimbursable	196	65	97	32	48.5%	
<b>Total Revenues</b>	<b>11,862</b>	<b>10,215</b>	<b>11,815</b>	<b>1,599</b>	<b>15.7%</b>	
<b>Expenses</b>						
Seaport Expenses (excl env srvs)	1,043	1,159	1,198	39	3.4%	
Environmental Services	98	138	227	89	64.4%	
Maintenance Expenses	1,390	1,236	1,682	446	36.1%	
P69 Facilities Expenses	59	59	55	(4)	-6.5%	
Other RE Expenses	3	43	47	3	7.6%	
CDD Expenses	113	388	505	117	30.1%	
Police Expenses	936	1,094	1,345	252	23.0%	
Corporate Expenses	1,234	1,385	1,423	39	2.8%	
<b>Operating Expenses</b>	<b>4,875</b>	<b>5,501</b>	<b>6,483</b>	<b>981</b>	<b>17.8%</b>	
<b>Net Operating Income</b>	<b>6,987</b>	<b>4,714</b>	<b>5,332</b>	<b>618</b>	<b>13.1%</b>	

# Docks - Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Docks

				<i>Incr (Decr)</i>	
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$	%
\$'s Thousands					
<b>Revenues</b>					
Docks Revenues	3,574	3,113	3,836	723	23.2%
Maintenance Reimbursable	37	22	21	(2)	-6.8%
<b>Total Revenues</b>	<b>3,611</b>	<b>3,135</b>	<b>3,856</b>	<b>721</b>	<b>23.0%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	2,006	2,013	2,239	226	11.2%
Environmental Services	61	32	184	152	470.1%
Maintenance Expenses	1,144	1,154	1,253	99	8.6%
P69 Facilities Expenses	25	26	26	0	0.1%
Other RE Expenses	8	49	42	(7)	-14.4%
CDD Expenses	265	137	193	56	41.2%
Police Expenses	412	472	501	29	6.2%
Corporate Expenses	527	635	675	41	6.4%
<b>Operating Expenses</b>	<b>4,448</b>	<b>4,517</b>	<b>5,113</b>	<b>596</b>	<b>13.2%</b>
<b>Net Operating Income</b>	<b>(837)</b>	<b>(1,382)</b>	<b>(1,256)</b>	<b>125</b>	<b>-9.1%</b>

# Risks

- U.S. and Global economic uncertainties - Potential impact on Container and Cruise volumes
- Competitive Pressures
- Traffic congestion due to construction
- Unexpected Repairs
- Environmental Remediation Liabilities

# Real Estate Division 2012 Preliminary Operating Budget

Commission Briefing  
October 4, 2011

## Key Assumptions

- Marina occupancy rate 94% compared to 93% in 2011 Budget
- Fishing & Commercial occupancy rates FT 84% and MIC 72% compared to FT 82% and MIC 70% in 2011 Budget
- Commercial Properties target 87% occupancy. 2011 Budget target was 90%



## Key Assumptions (continued)

- Bell Harbor International Conference Center
  - Number of guests consistent with 2011 Budget
  - Revenue per guest budgeted to increase
- Ownership of Eastside Rail Corridor transferred to King County by July 1, 2012
- Execution of Deferred Maintenance Plan continues with \$3.5 million of projects budgeted for 2012

# Org Revenues By Group

Real Estate Division Only

\$'s Thousands	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	<i>Incr (Decr)</i> 12-'11 Bud Chg	
					\$	%
<b>Revenue</b>						
Harbor Services	11,533	11,448	11,360	11,633	185	1.6%
Portfolio Management	17,150	18,373	18,612	19,820	1,447	7.9%
Commercial	6,133	6,513	6,513	6,906	393	6.0%
Third Party	11,017	11,860	12,099	12,914	1,054	8.9%
Development & Planning	756	724	858	812	88	12.1%
Eastside Rail	114	45	76	22	(23)	-50.8%
Facilities & Maintenance	839	352	352	542	189	53.8%
<b>Total Revenue</b>	<b>30,391</b>	<b>30,942</b>	<b>31,258</b>	<b>32,828</b>	<b>1,886</b>	<b>6.1%</b>

# Org Expenses By Group

Real Estate Division Expenses Only

\$'s Thousands	2010	2011	2011	2012	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	12-'11 Bud Chg	
					\$	%
<b>Operating Expenses</b>						
Harbor Services	4,436	4,454	4,310	4,614	160	3.6%
Portfolio Management	10,990	11,954	12,157	12,441	487	4.1%
Commercial	3,390	3,610	3,810	3,913	303	8.4%
Third Party	7,600	8,344	8,347	8,528	184	2.2%
Development & Planning	692	759	753	799	40	5.3%
Eastside Rail Corridor	504	484	835	203	(281)	-58.1%
Maintenance	12,142	14,279	13,629	17,209	2,930	20.5%
Facilities	1,510	1,453	1,384	1,521	68	4.7%
Division Admin	346	358	403	378	20	5.6%
Other	120	0	0	0	0	NA
Contingency	0	0	0	0	0	NA
<b>Total Operating Expenses</b>	<b>30,739</b>	<b>33,741</b>	<b>33,471</b>	<b>37,166</b>	<b>3,425</b>	<b>10.2%</b>

# Real Estate Org Expense Budget

Real Estate Division Expenses Only

\$'s Thousands	2011	2012	Incr (Decr)	
	Budget	Budget	Change	%
<b>Baseline Budget</b>				
Salaries	5,816	6,089	273	4.7%
Benefits	2,120	2,228	108	5.1%
Wages & Benefits	7,113	7,621	508	7.1%
Salaries & Wages to Cap, Non-op, ERL	1,000	1,400	400	40.0%
<b>Total Payroll Costs</b>	<b>16,049</b>	<b>17,338</b>	<b>1,289</b>	<b>8.0%</b>
Net Payroll Exp (net of to capital, Non-op, ERL)	15,049	15,938	889	5.9%
Utilities	3,243	3,627	384	11.8%
Third Party Mgmt (Hospitality Only)	7,613	7,870	257	3.4%
Increase Baseline Maint	0	1,250	1,250	NA
Other O&M	5,311	5,221	(90)	-1.7%
Allocated to Capital	(400)	(644)	(244)	61.0%
<b>Total Baseline Budget</b>	<b>30,816</b>	<b>33,262</b>	<b>2,446</b>	<b>7.9%</b>
<b>Initiatives</b>				
Tenant Improve & Broker Fees	155	207	52	33.3%
Deferred Maint Projects in Budget	1,690	3,046	1,356	80.2%
Deferred Maint Salaried Staff	198	198	(0)	-0.1%
Net Shed related work	260	250	(10)	-3.8%
T91 Development Study (50%)	138	0	(138)	-100.0%
Eastside Rail Corridor	484	203	(281)	-58.1%
Contingency	0	0	0	NA
Total	2,925	3,904	979	33.5%
<b>Total Operating Expenses</b>	<b>33,741</b>	<b>37,166</b>	<b>3,425</b>	<b>10.2%</b>

# Baseline Maintenance Work

\$'s Thousands

Increase in Baseline Maintenance

2012 Budget

Maint work for Engineering, PCS	347
Northend Office Overhead (Mgr,Admin, Utilities, Maint)	277
Increase in reimburseable work	190
Purchasing and Safety Training	117
Phased Maintenance of Bell St Cruise Pier & Gangway	86
SBM ongoing repairs (e.g. potholes, concrete)	60
Project Mgmt & Craft Technical Training	32
New Areas Requiring Maintenance	
Tsubota	62
Eastside Rail Corridor	50
Terminal 10	29
Total Increase in Baseline Maintenance	<u><u>1,250</u></u>

# 2012 Deferred Maintenance Projects

\$'s Thousands

Deferred Maintenance Projects

	<u>2012 Budget</u>
Bell Street Bridge painting	400
P69 concrete beams rehab	350
P69 carpet replacement	400
Centennial Park rip rap repair	250
T102 electrical coordination study	150
Pier 66 replace wood fender panels	120
Replace 800 MHz radio system	270
Maximo mobility and integration	250
Marine Maint lighting upgrade	100
Contingency	300
Other	654
Subtotal per schedule	<u>3,244</u>
Maint Net Shed related work	250
Total Deferred Maintenance Projects	<u><u>3,494</u></u>

# Full-Time Equivalents (FTEs)

<b><u>2011 Budget</u></b>	<b>164.8</b>
<b><u>2011 Changes</u></b>	
Maintenance - Purchaser	1.0
Maintenance - Skilled Crafts	(1.0)
Facilities - upgrade non-exempt position	0.0
	<hr/>
<b>Adjusted 2011</b>	<b>164.8</b>
<b><u>2012 Budget</u></b>	
<b>Staff Additions:</b>	
RE Dev & Planning Project Assistant	1.0
	<hr/>
<b>Net Change</b>	<b>1.0</b>
	<hr/>
<b>Proposed 2012 Budget</b>	<b>165.8</b>
	<hr/> <hr/>

# Real Estate Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	Incr (Decr)	
					'12-'11 Bud Chg \$	%
\$'s Thousands						
<b>Revenues</b>						
Operating Revenues	29,820	30,707	31,023	32,401	1,694	5.5%
<b>Total Revenues</b>	<b>29,820</b>	<b>30,707</b>	<b>31,023</b>	<b>32,401</b>	<b>1,694</b>	<b>5.5%</b>
<b>Expenses</b>						
Real Estate Exp (excl Maint,P69,Hosp)	9,814	9,963	10,568	10,123	160	1.6%
Real Estate BHICC & WTC	6,964	7,613	7,623	7,870	257	3.4%
Maintenance Expenses	6,652	8,934	8,485	9,837	902	10.1%
P69 Facilities	226	159	152	198	39	24.5%
Environmental Services	800	912	775	819	(93)	-10.2%
Seaport Expenses (excl env svcs)	395	430	430	589	159	37.0%
CDD Expenses	806	1,266	1,366	1,214	(52)	-4.1%
Police Expenses	1,198	1,350	1,350	1,442	93	6.9%
Corporate Expenses	4,671	5,472	5,337	5,230	(241)	-4.4%
Envir Remediation Liability	(2)	0	0	0	0	NA
<b>Operating Expenses</b>	<b>31,524</b>	<b>36,099</b>	<b>36,086</b>	<b>37,323</b>	<b>1,224</b>	<b>3.4%</b>
<b>Net Operating Income</b>	<b>(1,704)</b>	<b>(5,392)</b>	<b>(5,063)</b>	<b>(4,922)</b>	<b>471</b>	<b>8.7%</b>



## Fishing & Commercial

	<i>Incr (Decr)</i>			
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$ %
\$'s Thousands				
<b>Revenues</b>				
Operating Revenues	2,753	2,653	2,667	14 0.5%
<b>Total Revenues</b>	<b>2,753</b>	<b>2,653</b>	<b>2,667</b>	<b>14 0.5%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint & P69)	1,850	1,744	1,847	103 5.9%
Real Estate BHICC & WTC	0	0	0	0 NA
Maintenance Expenses	1,430	1,530	1,855	325 21.3%
P69 Facilities	23	24	33	9 35.4%
Environmental Services	324	353	266	(87) -24.6%
Seaport Expenses (excl env srvs)	45	60	113	53 89.0%
CDD Expenses	335	292	215	(77) -26.5%
Police Expenses	430	482	519	37 7.6%
Corporate Expenses	857	928	964	36 3.9%
Envir Remediation Liability	0	0	0	0 NA
<b>Operating Expenses</b>	<b>5,296</b>	<b>5,413</b>	<b>5,813</b>	<b>399 7.4%</b>
<b>Net Operating Income</b>	<b>(2,543)</b>	<b>(2,760)</b>	<b>(3,146)</b>	<b>(385) -14.0%</b>

# Recreational Boating Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Recreational Boating

	<i>Incr (Decr)</i>			
	2010	2011	2012	'12-'11 Bud Chg
\$'s Thousands	Actual	Budget	Budget	\$ %
<b>Revenues</b>				
Operating Revenues	8,794	8,803	8,974	171 1.9%
<b>Total Revenues</b>	<b>8,794</b>	<b>8,803</b>	<b>8,974</b>	<b>171 1.9%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint & P69)	2,633	2,741	2,803	61 2.2%
Real Estate BHICC & WTC	0	0	0	0 NA
Maintenance Expenses	1,647	1,934	2,191	257 13.3%
P69 Facilities	61	64	81	17 26.4%
Environmental Services	309	356	274	(82) -23.0%
Seaport Expenses (excl env svs)	45	60	70	10 16.9%
CDD Expenses	169	385	467	82 21.4%
Police Expenses	337	387	415	29 7.5%
Corporate Expenses	1,715	2,032	1,881	(150) -7.4%
Envir Remediation Liability	0	0	0	0 NA
<b>Operating Expenses</b>	<b>6,916</b>	<b>7,958</b>	<b>8,182</b>	<b>224 2.8%</b>
<b>Net Operating Income</b>	<b>1,878</b>	<b>845</b>	<b>792</b>	<b>(54) -6.3%</b>

## Portfolio Management

	<i>Incr (Decr)</i>			
	2010	2011	2012	'12-'11 Bud Chg
\$'s Thousands	Actual	Budget	Budget	\$ %
<b>Revenues</b>				
Operating Revenues	17,300	18,479	19,923	1,444 7.8%
<b>Total Revenues</b>	<b>17,300</b>	<b>18,479</b>	<b>19,923</b>	<b>1,444 7.8%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint & P69)	4,041	4,142	4,348	206 5.0%
Real Estate BHICC & WTC	6,964	7,613	7,870	257 3.4%
Maintenance Expenses	3,339	5,115	5,289	175 3.4%
P69 Facilities	58	61	72	12 19.4%
Environmental Services	62	31	212	182 587.4%
Seaport Expenses (excl env svs)	218	224	224	0 0.1%
CDD Expenses	253	528	461	(67) -12.6%
Police Expenses	431	481	508	27 5.6%
Corporate Expenses	1,747	2,049	1,978	(71) -3.5%
Envir Remediation Liability	0	0	0	0 NA
<b>Operating Expenses</b>	<b>17,113</b>	<b>20,244</b>	<b>20,965</b>	<b>721 3.6%</b>
<b>Net Operating Income</b>	<b>187</b>	<b>(1,765)</b>	<b>(1,042)</b>	<b>723 41.0%</b>

## Eastside Rail Corridor

				<i>Incr (Decr)</i>	
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$	%
\$'s Thousands					
<b>Revenues</b>					
Operating Revenues	114	45	22	(23)	-50.8%
<b>Total Revenues</b>	<b>114</b>	<b>45</b>	<b>22</b>	<b>(23)</b>	<b>-50.8%</b>
<b>Expenses</b>					
Real Estate Exp (excl Maint & P69)	660	634	389	(245)	-38.7%
Real Estate BHICC & WTC	0	0	0	0	NA
Maintenance Expenses	6	0	64	64	NA
P69 Facilities	0	0	0	0	NA
Environmental Services	0	30	60	30	100.8%
Seaport Expenses (excl env srvs)	0	0	0	0	NA
CDD Expenses	11	0	8	8	NA
Police Expenses	0	0	0	0	NA
Corporate Expenses	74	31	101	70	230.3%
Envir Remediation Liability	0	0	0	0	NA
<b>Operating Expenses</b>	<b>751</b>	<b>694</b>	<b>621</b>	<b>(73)</b>	<b>-10.5%</b>
<b>Net Operating Income</b>	<b>(637)</b>	<b>(649)</b>	<b>(599)</b>	<b>50</b>	<b>7.7%</b>

# Re Dev & Plan Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## RE Development & Planning

	<i>Incr (Decr)</i>			
	2010 Actual	2011 Budget	2012 Budget	'12-'11 Bud Chg \$ %
\$'s Thousands				
<b>Revenues</b>				
Operating Revenues	756	724	812	88 12.1%
<b>Total Revenues</b>	<b>756</b>	<b>724</b>	<b>812</b>	<b>88 12.1%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint & P69)	628	701	737	36 5.1%
Real Estate BHICC & WTC	0	0	0	0 NA
Maintenance Expenses	204	356	434	78 22.0%
P69 Facilities	7	7	11	4 58.4%
Environmental Services	105	143	7	(136) -95.1%
Seaport Expenses (excl env srvs)	87	86	181	95 111.3%
CDD Expenses	37	62	63	2 2.5%
Police Expenses	0	0	0	0 NA
Corporate Expenses	279	432	306	(126) -29.3%
Envir Remediation Liability	0	0	0	0 NA
<b>Operating Expenses</b>	<b>1,347</b>	<b>1,786</b>	<b>1,739</b>	<b>(48) -2.7%</b>
<b>Net Operating Income</b>	<b>(591)</b>	<b>(1,063)</b>	<b>(927)</b>	<b>136 12.8%</b>

## Risks

- Potential higher vacancies in commercial properties and recreational marinas
- Eastside Rail Corridor
- Deferred maintenance costs
- Outside legal costs
- Tenant improvement allowances

# Capital Development Division 2012 Operating Budget

Commission Briefing

October 4, 2011

# CDD 2011 & 2012 Budgets

	2011 Budget	2012 Budget
FTE	262.5	255.75
<b>Total Salaries &amp; Benefits</b>	<b>\$ 28,451,234</b>	<b>\$ 29,510,754</b>
On-site consultants	\$ 5,529,009	\$ 2,575,595
Small Works Constr Contracts	\$ 1,122,664	\$ 992,000
<b>Total Before Capital Ch &amp; Trans</b>	<b>\$ 38,637,105</b>	<b>\$ 36,556,692</b>
Sal/Wag to Capital	\$ 13,663,576	\$ 14,062,613
Capital Projects Overhead	\$ 6,295,482	\$ 5,195,829
On-site consultants to Capital	\$ 4,424,462	\$ 1,794,896
<b>Total Charges to Capital</b>	<b>\$ 24,383,520</b>	<b>\$ 21,053,338</b>
<b>Total Operating Expense</b>	<b>\$ 14,278,467</b>	<b>\$ 15,528,081</b>



# CDD 2012 by Department

<b>O9000: Capital Development</b>	<b>ENG</b>	<b>PCS</b>	<b>AVPMG</b>	<b>SPMG</b>	<b>CPO</b>	<b>CDD Admin</b>	<b>All CDD Total</b>
<b>FTE</b>	108.75	47	44	17	37	2	255.75
<b>Payroll to Capital Projects</b>	6,652,371	2,769,447	2,666,168	870,225	1,104,402		14,062,613
<b>Total Salaries &amp; Benefits</b>	12,065,162	5,224,463	5,532,915	2,300,298	4,030,085	357,832	29,510,754
<b>On-site Consultants</b>	1,282,500		1,293,095				2,575,595
<b>Total Costs Before Capital Charges &amp; Transfers</b>	14,209,092	6,790,865	7,730,978	2,986,588	4,465,202	373,966	36,556,692
<b>Total Charges to Capital Projects</b>	-9,744,225	-3,312,529	-5,229,354	-1,437,192	-1,330,038		-21,053,338
<b>TOTAL OPERATING EXPENSE</b>	4,472,367	3,478,836	2,501,904	1,550,201	3,150,507	374,266	15,528,081

# Priority CDD Initiatives

- Establish Skire Unifier as our Project Delivery System.
- Support the business divisions in implementing sustainable asset management.
- Streamline the formation and administration of service agreement contracts.
- Update Port standard specifications for construction projects.
- Optimize SharePoint in CDD.
- Improve Emergency Response readiness.

# Corporate 2012 Preliminary Operating Budget

Commission Briefing

October 4, 2011

# Budget Overview

- Key Drivers:
  - Baseline payroll increases and contractual increases
  - New Rental Car Facility
  - Century Agenda
  - Audit Committee/Internal Audit Initiatives
  - Other initiatives including Enterprise Risk Management, Medical Plan Review/Design, Business Process Improvement
- Overall increase of 2.2% vs. 2011 budget
- Decline in Corporate Cost as a percent of total operating revenues and expenses

(in \$ 000's)	Amount	Notes
<b>2011 Budget</b>	<b>75,008</b>	
Less: 2011 One time Items	(1,829)	AAPA Conference & other misc.
<b>2011 Baseline Budget</b>	<b>73,179</b>	
<b>Cost Increases</b>		
Salaries & Benefits (Baseline)	991	Per budget guidelines
Wages & Benefits (Baseline)	862	Per bargaining agreements
Contractual/Unavoidable	364	ICT Software maintenance and new systems
Subtotal	2,216	
<b>New Budget Requests</b>		
New Rental Car Facility Costs	185	Details in the next slide
2012 One Time Items	711	Details in the next slide
Other Requests	373	Details in the next slide
Subtotal	1,269	
<b>2012 Proposed Budget</b>	<b>76,655</b>	
Increase Over 2011 Baseline	3,485	
Increase Over 2011 Budget	1,647	

# Approved Budget Requests

(in \$ 000's)	Amount	Notes
<b>New Rental Car Facility Costs</b>		
Police FTE for Traffic Mitigation	110	CFC reimbursable
Insurance premiums	75	RCF reimbursable
Subtotal RCF	185	
<b>2012 One Time Items</b>		
Century Agenda	135	Complete strategic planning process
IT Risk Assessment and Performance Audit	250	Endoresed by Audit Committee
Internal Audit Independent Peer Review	50	Endorsed by Audit Committee
Medical Benefits Consulting	95	Evaluate alternative plan designs
Tourism Business Consultant	50	Develop business & revenue model
Port Leadership Conference	51	\$19K in baseline for \$70K total
Accounts Payable Invoice Automation	80	Set up paperless AP system & workflow
Subtotal One Time Items	711	
<b>Other Requests</b>		
Apprenticeship Program	100	Previously funded through \$0.20/hour contractor fees
Police Communications Support FTE	102	Support to Police, Fire, Emergency Prep
Risk Management FTE	79	RCF driver program, strategic initiatives
Other	91	
Subtotal Other Requests	373	
<b>Total</b>	<b>1,269</b>	

# 2012 Corporate Budget

<i>(in \$ 000's)</i>	2010	2011	2011	2012	'12-'11 Bud Change	
	Actual	Budget	Forecast	Budget	\$	%
TOTAL REVENUES	610	1,025	1,202	151	-874	-85.2%
<b><u>EXPENSES</u></b>						
Executive	1,356	1,500	1,460	1,539	39	2.6%
Commission	831	931	862	980	49	5.3%
Legal	3,475	2,906	3,055	2,901	-5	-0.2%
Risk Management	2,618	2,789	2,722	2,959	170	6.1%
Health & Safety	1,001	1,129	1,124	1,060	-69	-6.1%
Public Affairs	5,553	7,012	6,795	5,815	-1,197	-17.1%
Human Resources & Development	4,107	5,285	5,063	5,494	209	4.0%
Labor Relations	675	922	922	961	39	4.3%
Information & Communications Tech.	18,765	19,511	19,511	20,194	683	3.5%
Finance & Budget	1,455	1,493	1,483	1,543	50	3.3%
Accounting & Financial Reporting	5,939	6,596	6,415	6,853	257	3.9%
Internal Audit	990	1,215	1,204	1,496	281	23.2%
Office of Social Responsibility	1,280	1,567	1,560	1,476	-90	-5.8%
Contingency	21	700	350	700	0	0.0%
Police	19,273	21,452	21,443	22,684	1,232	5.7%
<b>Total Corporate Costs</b>	<b>67,391</b>	<b>75,008</b>	<b>73,969</b>	<b>76,655</b>	<b>1,647</b>	<b>2.2%</b>

# 2012 Budget Major Changes

Major Budget Change	2011 Budget	2012 Budget	Change \$	Change %	Notes
<b>Payroll Costs change</b>					
Salaries	26,255	27,094	839	3.2%	Includes 1 FTE for RCF
Benefits	8,622	9,095	474	5.5%	
Wage & Benefits	19,211	20,183	972	5.1%	Contractual increase in Police Dept.
Payroll to Capital Projects	2,966	3,320	354	11.9%	Salaries charged to capital projects
<b>Total Payroll Costs</b>	<b>57,054</b>	<b>59,693</b>	<b>2,639</b>	<b>4.6%</b>	
<b>Non-Payroll Changes</b>					
Equipment Expense	1,181	1,219	38	3.2%	
Supplies & Stock	673	648	(25)	-3.7%	
Outside Services	11,292	10,940	(351)	-3.1%	Approved new budget request
Travel & Other Employee Expense	2,402	2,593	192	8.0%	
Promotional Expense	882	268	(615)	-69.7%	Due to AAPA conference in 2011
Telecommunications	788	815	28	3.5%	
Insurance Expense	2,050	2,125	75	3.7%	Increase in insurance premium
Advertising	224	181	(43)	-19.0%	
Charge to Capital	(3,283)	(3,320)	(37)	1.1%	
Other	1,747	1,493	(254)	-14.5%	
<b>Total Non-Payroll Expenses</b>	<b>17,954</b>	<b>16,963</b>	<b>(992)</b>	<b>-5.5%</b>	
<b>TOTAL</b>	<b>75,008</b>	<b>76,655</b>	<b>1,647</b>	<b>2.2%</b>	



	<u>FTE's</u>
<b>2011 Approved Budget</b>	<b>447.6</b>
Changes in 2011:	
Intern for Century Agenda	0.5
Public Affairs Program Manager (Full Time)	0.2
Added CAD System Administrator in ICT	1.0
Added Two Limited Duration Positions in AFR	2.0
Eliminated Two Positions	-2.0
Intern Position in HR&D	0.5
<b>2011 Baseline</b>	<u>449.8</u>
2012 Proposed New FTEs:	
Risk Specialist 1	1.0
Police Sergeant for new RCF	1.0
Communication Support Position	1.0
WR Intake/Investigation Specialist Becomes Full Time	0.4
<b>Proposed new FTEs for 2012</b>	<u>3.4</u>
<b>2012 Budget Proposed FTEs</b>	<u><u>453.2</u></u>

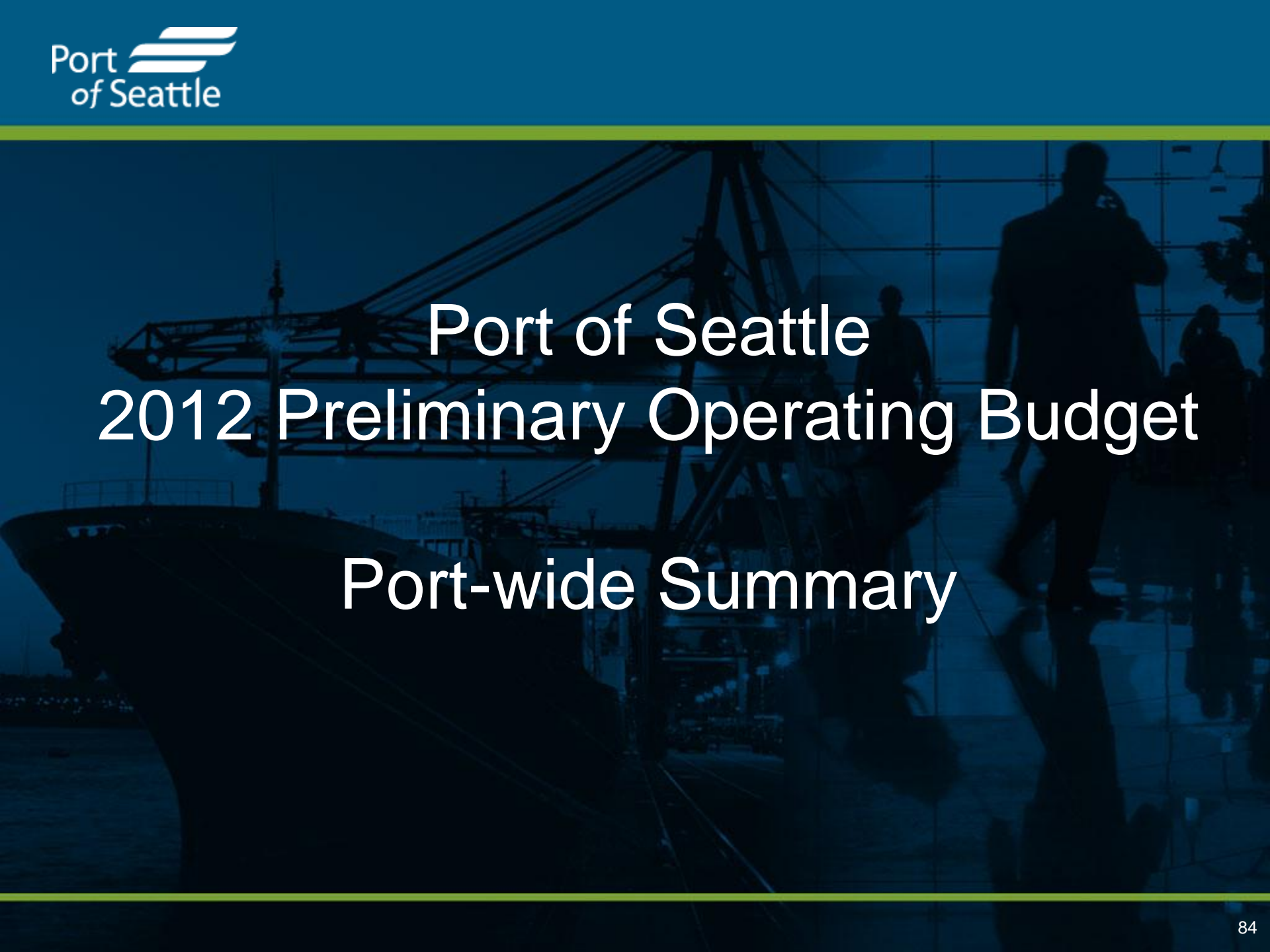
# Corporate Cost Analysis

(\$ in 000's)

	2010 Actual	2011 Budget	2011 Forecast	2012 Budget
Corporate Cost	67,391	75,008	73,969	76,655
Total Revenue	462,651	492,798	487,719	520,042
Total Expense	253,464	285,844	278,547	312,666
Corporate Cost as % of Revenues	14.6%	15.2%	15.2%	14.7%
Corporate Cost as % of Expense	26.6%	26.2%	26.6%	24.5%

# Risks

- Pending labor settlements vs. budget assumptions
- Insurance premiums on renewal
- Unexpected litigations or claims
- Unanticipated events

A dark blue background image showing a port scene with a large ship on the left, a crane in the center, and silhouettes of people on the right. The text is overlaid in white.

# Port of Seattle 2012 Preliminary Operating Budget Port-wide Summary

# Key Payroll Assumptions

- 3% average merit increase for non-represented staff
  - in line with projected 3.1% average in regional salary planning surveys
  - only 3.5% of employers projecting zero increases for 2012, vs. 17.3% in 2010 and 8.1% in 2011
  - 2.2% increase in Port-sponsored medical plan due to lower utilization and minor design changes

# Key Payroll Assumptions

- 2012 PERS employer rate not yet available
  - 2011 actual blended rate of 6.25% is below budgeted rate of 7%
  - Preliminary budget assumes 2012 rate increases to 8.5% in July from current actual rate of 7.25%, for a full year blended rate of 7.875%
- Represented staff payroll based on bargaining agreements, includes COLA & STEP increases for specified groups

# Key Payroll Assumptions

- In August, Commission asked for a comparison of recent average pay increases for represented and non-represented staff
- The following table provides base pay increases for 2010 and YTD June 2011

	2010	2011 YTD June
<b>Represented Staff</b>		
Average Increase*	4.0%	2.4%
Range	0-7%	0-6%
<b>Non-Represented Staff</b>		
Average Merit Increase	3.78%	2.45%
Range	0-5%	0-3%

\* COLA/across the board increases only; excludes STEP increases

# 2012 Preliminary Budget

	2010	2011	2012	\$	%	
(\$ in '000s)	Actual	Budget	Budget	Chang	Change	Notes
<b>Operating Revenues</b>						
Aeronautical	198,329	217,200	238,149	20,950	9.6%	Cost recovery
Non-Aeronautical	135,052	144,601	149,828	5,227	3.6%	Including \$9.1M RAC operating revenue.
Other (adjusted)	880	877	934	57	6.4%	\$7.8M Fuel Hydrant rev is reclassified as non-op.
Aviation	334,262	362,678	388,911	26,233	7.2%	
Seaport	97,279	98,153	98,151	-1	0.0%	\$2.1M reduction in pass-through grant.
Real Estate	30,391	30,942	32,828	1,886	6.1%	
CDD	36				n/a	
Corporate	610	1,025	151	-874	-85.2%	\$990K for AAPA Conference in 2011 budget.
Other Operating Revenues	128,316	130,119	131,131	1,012	0.8%	
<b>Total</b>	<b>462,578</b>	<b>492,798</b>	<b>520,042</b>	<b>27,245</b>	<b>5.5%</b>	
<b>Operating Expenses</b>						
Aviation	126,481	139,575	162,909	23,334	16.7%	
Seaport	19,517	23,242	20,408	-2,834	-12.2%	\$2.1M pass-thro grant and \$500K for env. reserve exp.
Real Estate	30,739	33,741	37,166	3,425	10.2%	
CDD	9,335	14,278	15,528	1,250	8.8%	
Corp	67,391	75,008	76,655	1,647	2.2%	
<b>Total</b>	<b>253,464</b>	<b>285,844</b>	<b>312,666</b>	<b>26,822</b>	<b>9.4%</b>	
<b>Net Operating Income</b>	<b>209,114</b>	<b>206,954</b>	<b>207,376</b>	<b>422</b>	<b>0.2%</b>	



# Comprehensive Summary

(S in 000s)	2010 Actual	2011 Budget	2012 Budget	Change \$	Change %	Explanations
<b>Revenues</b>						
1. Aeronautical Revenues	198,329	217,200	238,149	20,950	9.6%	Cost recovery
2. Operating Revenues	272,161	283,437	281,893	(1,544)	-0.5%	Seaport , R.E. Non-Aero & Corp
3. Tax Levy	73,125	73,500	73,500	-	0.0%	
4. PFCs	59,744	60,379	63,142	2,762	4.6%	Increase in enplanement
5. CFCs	23,243	22,237	21,333	(904)	-4.1%	Classify portion as ops revenue
6. Fuel Hydrant	-	-	7,839	7,839		Reclassified from ops revenue
7. Non-Capital Grants and Donations	12,473	8,493	1,779	(6,714)	-79.1%	EMW winding down
8. Capital Contributions	30,518	32,106	31,448	(658)	-2.0%	FAA & DHS grants
9. Interest Income	13,096	13,654	5,748	(7,906)	-57.9%	Lower interest rate 1% vs. 1.86 %
<b>Total</b>	<b>682,690</b>	<b>711,006</b>	<b>724,831</b>	<b>13,825</b>	<b>1.9%</b>	
<b>Expenses</b>						
1. O&M Expense	253,464	285,844	312,666	26,822	9.4%	Partially due to new RCF/BMF
2. Depreciation	160,775	160,491	158,479	(2,012)	-1.3%	
3. Revenue Bond Interest Expense	133,239	148,206	135,806	(12,400)	-8.4%	Reduction in capitalized interest
4. GO Bond Interest Expense	17,463	13,780	14,926	1,146	8.3%	New issue and increase interest
5. PFC Bond Interest Expense	10,187	10,191	6,826	(3,365)	-33.0%	Savings from bond refunding
6. Non-Op Environmental Expense	22,730	6,200	5,290	(910)	-14.7%	Due to superfund sites
7. Public Expense	25,085	17,205	5,654	(11,551)	-67.1%	Reduction of FAST I and II projects
8. Other Non-Op Rev/Expense	7,276	2,521	3,576	1,055	41.9%	
<b>Total</b>	<b>630,220</b>	<b>644,438</b>	<b>643,223</b>	<b>(1,215)</b>	<b>-0.2%</b>	
<b>Change In Net Assets</b>	<b>52,470</b>	<b>66,568</b>	<b>81,607</b>	<b>15,040</b>	<b>22.6%</b>	

- Total Revenues were \$13.8M higher than 2011 budget and \$42.1M higher than 2010.
- Total Expenses were \$1.2M less than 2011 budget and \$13.0M higher than 2010.
- Change in Net Assets were \$15.0M above 2011 budget and \$29.1M higher than 2010.

# Potential Contingency Cuts

Description	2012 Estimated		Notes
	Budget	Cuts	
Vacant Positions	4,253	2,127	Hiring delay for 6 months
Travel/Training Expenses	5,523	1,657	Cut 30% of the budget
New Budget Requests & Outside Services		10,360	
Furloughs		<u>7,239</u>	Two-week furloughs
Total		<u><u>21,382</u></u>	
2012 Preliminary Budget		312,666	
Estimated Cuts as % of Total Budget		6.8%	

# Port-wide FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
2011 Approved FTE's	761.9	60.4	164.8	262.5	447.6	1697.2
Mid Year Approval	7.1	0.4	1.0	2.0	3.7	14.2
Eliminated	0.0	-1.7	-1.0	0.0	-1.5	-4.2
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted 2011 FTE's	769.0	59.1	164.8	264.5	449.8	1707.2
2012 Budget						
Eliminated	0.0	0.0	0.0	-9.8	0.0	-9.8
Transfer	0.0	0.0	0.0	0.0	0.0	0.0
New FTE's	107.9	0.8	1.0	1.0	3.4	114.1
Total 2012 Changes	107.9	0.8	1.0	-8.8	3.4	104.4
Proposed 2012 FTE's	876.9	59.9	165.8	255.8	453.2	1811.6

# Port of Seattle 2012 Preliminary Operating Budget

The background of the slide is a dark blue-tinted photograph of a port terminal. It shows a large ship docked at a pier, with various cranes and structural elements of the terminal visible. In the foreground, there are silhouettes of people, including one person on the right who appears to be talking on a mobile phone. The overall scene is industrial and maritime.

Commission Briefing

October 4, 2011

# Appendix A: Summary of RCF/Bussing

\$ in 000's	<u>2011 Budget</u>	<u>New Costs</u>	<u>2012 Budget</u>
<u>Expenses:</u>			
Payroll	184	5,905	6,088
Other	476	1,689	2,165
Total Aviation	660	7,593	8,253
Corporate	96	31	127
Capital Development	790	56	847
Police (a)		110	110
Subtotal Other	886	198	1,084
<b>Total RCF Expenses</b>	<b>1,546</b>	<b>7,791</b>	<b>9,337</b>
Expenses not CFC covered:			
30% Allocable to Employee Parking		(145)	(145)
Ops Mgr 25% to Employee Parking		(59)	(59)
Total ADF funded	-	(204)	(204)
RCF Reimbursable	-	(477)	(477)
Total CFC funded	1,546	7,110	8,656
<u>New revenues:</u>			
RCF Reimbursable	-	477	477
CFC Op Rev (b)	1,543	7,083	8,627
Total new revenues	1,543	7,560	9,104
Total Surplus/(Deficit)	(3)	(231)	(234)

(a) Includes one Sergeant in the Police's Budget.

(b) Assumes \$6.17 opening day CFC in April 2012.

<u>CFC</u>	<u>\$000s</u>
Revenues	8,627
Costs	8,656
Surplus/(Deficits)	(30)
<u>Reimbursable</u>	
Revenues	477
Costs	477
Surplus/(Deficits)	-
<u>Employee Parking (ADF)</u>	
Revenues	-
Expenses	204
	(204)
Total Deficit	(234)

All CFC-eligible costs paid by CFC operating revenues